



# Arizona Department of Transportation Motor Vehicle Division

1801 West Jefferson Street Phoenix, Arizona 85007

**Janet Napolitano**  
*Governor*

**Victor M. Mendez**  
*Director*

**Stacey K. Stanton**  
*Division Director*

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## Reminder Notice to Licensed Suppliers and Restricted Distributors

### UNDERGROUND STORAGE TANK (UST) TAX AND EXEMPTION CERTIFICATE ALLOWANCE

This notice is a reminder to both Suppliers and Restricted Distributors of what the requirements are regarding the collection of Underground Storage Tank (UST) tax and when the exemption certificate allowance is permitted. Please read it thoroughly and carefully to understand when tax is required and when the exemption allowance can occur.

Suppliers will not be allowed to include exemption certificate numbers for sales that reference the County Codes: 096 (unknown county code), 097 (restricted distributors), 098 (suppliers), 099 (exports). MVD will not grant a UST tax exemption credit for a sale to another licensed supplier and/or restricted distributor, a sale for export, or a sale to unknown county codes.

#### Scenario 1

If a licensed supplier who imports or breaks bulk from a terminal sells motor fuel to another licensed supplier, a licensed restricted distributor, or to a jobber, the licensed supplier selling the motor fuel is required to collect the Underground Storage Tank (UST) tax of 1 cent per gallon. (Please see Examples A, B, and C)

#### Scenario 2

If the licensed supplier who imports or breaks bulk from a terminal sells motor fuel directly to an end purchaser (e.g. a ranch, mine, farm, retail location, etc.), when that purchaser holds a valid exemption certificate issued by the Arizona Department of Environmental Quality (ADEQ), the licensed supplier shall record the UST exemption certificate number on their UST report and take the credit. (Please see Examples E and F below)

#### Scenario 3

If a licensed supplier or licensed restricted distributor purchased motor fuel from another licensed supplier, restricted distributor, or jobber, they are required to pay the UST tax to the seller. When the licensed supplier or restricted distributor sells motor fuel directly to the end purchaser, and that end purchaser holds a valid exemption certificate number issued by the Arizona Department of Environmental Quality (ADEQ), the licensed supplier or restricted distributor shall record the UST exemption certificate number on their UST report and take the credit. (Please see Examples E and F below)

#### Scenario 4

If the licensed supplier or licensed restricted distributor purchasing motor fuel owns retail (vendor) locations with exemption certificates, then all purchases are considered to be purchases by the licensed supplier or licensed restricted distributor and not by the retail location. The purchasing licensed supplier or licensed restricted distributor shall record the purchasing transactions on their UST report and also record the distribution transactions (sales to their own retail locations) with the exemption certificate number and take the credit. The selling licensed supplier cannot record the exemption certificate and take the credit on their UST report. Any sales by the purchasing licensed supplier or licensed restricted distributor to end purchasers, other than their own retail stations, are processed the same as in the first three paragraphs. (Please see Examples A and B below)

#### Scenario 5

If a licensed restricted distributor sells motor fuel to a jobber, the restricted distributor shall collect the Underground Storage Tank (UST) tax of 1 cent per gallon. Please see Example D below.

For purposes of this discussion, a jobber is defined as an unlicensed person who is in the business of purchasing motor fuel from a supplier, a restricted distributor, or another jobber and who sells and distributes the motor fuel to end purchasers, a supplier, a restricted distributor, or another jobber **within the same county** in which they purchased the motor fuel. A jobber may also be known as a dealer, or broker.

A jobber cannot sell or distribute motor fuel beyond the border of the county in which they are conducting business without becoming licensed as a restricted distributor or a supplier.

A licensed supplier or licensed restricted distributor must maintain a copy of all exemption certificates recorded in their UST reports for four years.

#### Examples:

A. Supplier A sells to Supplier B who owns a retail station:

1. Supplier A sells motor fuel to Supplier B. Supplier A is to collect the UST tax from Supplier B. Supplier A is to report and pay the tax on their UST tax report.
2. Supplier B owns a retail station which holds an exemption certificate from ADEQ.
3. Supplier B reports the sale of the motor fuel on their UST tax report with the exemption certificate and takes a credit on their UST tax report.

B. Supplier A sells to Restricted Distributor B who owns a retail station:

1. Supplier A sells motor fuel to Restricted Distributor B. Supplier A is to collect the UST tax from Restricted Distributor B. Supplier A is to report and pay the tax on their UST tax report.
2. Restricted Distributor B owns a retail station which holds an exemption certificate from ADEQ.
3. Restricted Distributor B reports the sale of the motor fuel on their UST tax report with the exemption certificate and takes a credit on their UST tax report.

C. Supplier C sells to a jobber who sells to an end purchaser.

1. Supplier C sells motor fuel to a jobber. Supplier C is to collect the UST tax from the jobber. Supplier C is to report and pay the tax on their UST tax report
2. The jobber sells the motor fuel to an end purchaser who holds an exemption certificate issued by ADEQ.
3. The jobber is to charge the end purchaser the UST tax.
4. The end purchaser may request a refund from ADEQ.

D. Restricted Distributor B sells to a jobber who sells to an end purchaser. Follow Example C.

E. Supplier D sells to an end purchaser.

1. Supplier D sells motor fuel to an end purchaser who holds an exemption certificate issued by ADEQ.
2. Supplier D does not charge the end purchaser for the UST tax.
3. Supplier D reports the sale of the motor fuel on their UST tax report with the exemption certificate and takes a credit on their UST tax report.

F. Restricted Distributor C sells to an end purchaser. Follow Example E.

If you have any questions, please feel free to contact the Fuel Tax Reporting Unit at (602) 712-8473.